

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 OMB-01 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08

TRSE-00 LAB-06 SIL-01 SS-15 NSC-10 L-03 H-03 AGR-20

DODE-00 PA-03 USIA-15 PRS-01 IO-13 NIC-01 SAJ-01

EURE-00 RSR-01 /176 W

----- 104080

P R 161430Z AUG 73

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC PRIORITY 6652

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE HELSINKI 2243

E.O. 11652: N/A

TAGS: PINT, PFOR, EEC, FI

SUBJECT: FONMIN ASSERTS FINLAND WILL SIGN EC AGREEMENT IN
ABOUT SIX WEEKS.

REF: HELSINKI 2219; HELSINKI 2181

SUMMARY. FONMIN KARJALAINEN SAID LATE YESTERDAY THAT FINLAND WILL
SIGN THE EC AGREEMENT AT THE END OF SEPTEMBER OR EARLY OCTOBER
REGARDLESS OF WHAT HAPPENS IN PARLIAMENT TO THE DOMESTIC
ECONOMIC LEGISLATION WHICH THE LEADERSHIP OF THE SOCIAL DEMO-
CRATIC PARTY (AND GOVERNMENT) HAS PRESCRIBED AS A PRECONDITION
FOR SIGNATURE OF THE AGREEMENT. END SUMMARY.

1. FOREIGN MINISTER AHTI KARJALAINEN ANNOUNCED YESTERDAY
EVENING THAT FINLAND WOULD SIGN THE FREE TRADE AGREEMENT WITH
THE COMMON MARKET NEXT MONTH OR THE FOLLOWING MONTH, I.E.

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IN SEPTEMBER OR OCTOBER, REGARDLESS OF THE FATE OF THE

RELATED DOMESTIC ECONOMIC LEGISLATION WHICH THE SOCIAL DEMOCRATIC PARTY (SDP) IS TRYING TO GET THROUGH PARLIAMENT WHEN IT RECONVENES ON SEPTEMBER 3. KARJALAINEN'S COMMENT IS ASSUMED BY LOCAL OBSERVERS TO MEAN A SIGNING OF THE AGREEMENT IN LATE SEPTEMBER OR EARLY OCTOBER AFTER KARJALAINEN RETURN FROM HIS TWO WEEK TRIP TO AFRICA AND BEFORE HE LEAVES FOR THE UNGA ON OCTOBER 5. THE FOREIGN MINISTER MADE HIS STATEMENT AFTER THE GOVERNMENT YESTERDAY AFTERNOON MET WITH THE REPRESENTATIVES OF THE OPPOSITION COMMUNIST PARTY TO DISCUSS THE PROPOSED ECONOMIC LEGISLATION WHICH THE COMMUNISTS ARE EXPECTED TO BLOCK IN PARLIAMENT. KARJALAINEN SAID THAT THE PROBLEM WITH THE ECONOMIC LEGISLATION WAS NOT A DISPUTE BETWEEN THE GOVERNMENT AND THE COMMUNISTS, BUT RATHER AN INTER PARTY PROBLEM BETWEEN THE COMMUNISTS AND THE SDP. HE STATED THAT THE GOVERNMENT HAD BEEN LARGELY IN FAVOR OF THE EC AGREEMENT, ADDING THAT THE PRESENT COALITION HAD BEEN FORMED LAST SEPTEMBER FOR THE EXPRESS PURPOSE OF SHEPHERDING THE AGREEMENT TO A SUCCESSFUL CONCLUSION.

2. AFTER THE DISCUSSION, COMMUNIST LEADER AARNE SAARINEN DECLARED THAT THE GOVERNMENT AND HIS PARTY HAD ACHIEVED NOTHING IN THE DISCUSSIONS, AND THAT HIS PARTY WOULD VOTE AGAINST THE ECONOMIC BILLS. HE, LIKE MOST OTHER POLITICIANS WHO HAVE EXPRESSED THEMSELVES, DID NOT BELIEVE THAT EARLY ELECTIONS WOULD TAKE PLACE BECAUSE OF THE IMPASS. IN A SURPRISINGLY MODERATE COMMENT, HE SEEMED RESIGNED TO THE FACT THAT THE EC AGREEMENT WOULD BE SIGNED, AND IMPLIED THAT HIS PARTY WOULD THEN STRIVE TO OBTAIN EVEN MORE STRINGENT DOMESTIC LEGISLATION ON THE ECONOMIC FRONT.

3. FOREIGN TRADE MINISTER JERMI LAINEN, SOCIAL DEMOCRAT, WAS A BIT CIRCUMSPECT IN HIS COMMENTS AFTER THE MEETING, BUT CONCEDED THAT THE AGREEMENT WOULD BE SIGNED IN TIME ALTHOUGH HIS PARTY HAD NOT YET EXPLORED ALL OF THE AVENUES TO BE FOLLOWED IN OBTAINING A SATISFACTORY COMPROMISE ON THE DOMESTIC ECONOMIC LEGISLATION.

4. VARIOUS KNOWLEDGEABLE SOURCES WITH WHOM EMBASSY OFFICERS HAVE SPOKEN TODAY HAVE MADE THE FOLLOWING OBSERVATIONS ON KARJALAINEN'S ANNOUNCEMENT: PENNTI UUSIVIRTA, WHO LED MOST OF THE NEGOTIATIONS WITH THE EC, SAID THE GOVERNMENT HAD, IN FACT, LIMITED OFFICIAL USE

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LONG AGO REACHED A DECISION TO SIGN THE AGREEMENT, AND THAT THE ACTUAL, FINAL DECISION WOULD BE FORMALIZED IN MID-SEPTEMBER. SINCE THE AGREEMENT NEEDS ONLY A SIMPLE MAJORITY IN PARLIAMENT, IT WILL BE RATIFIED WITHOUT DIFFICULTY SINCE ABOUT 70 PERCENT OF THE PARLIAMENT IS IN FAVOR. HE ADDED THAT BOTH KARJALAINEN AND PRIME MINISTER SORSA (SOCIAL DEMOCRAT) ARE IN FAVOR OF THE AGREEMENT, BUT FOR DOMESTIC POLITICAL REASONS (BOTH ASPIRE TO THE HIGHEST OFFICE) HAVE BEEN PLAYING THEIR CARDS VERY CAREFULLY.

SOURCES IN INDUSTRY, VERY PLEASED WITH THE ANNOUNCEMENT THAT THEY HAVE REGARDED AS INEVITABLE, ANTICIPATE PROBLEMS FOR THE SOCIAL DEMOCRATS SINCE THE COMMUNISTS WILL ACCUSE THEM OF CONIVING WITH INTERESTED GROUPS ANATHEMA TO LABOR. THEY SEE THE POSSIBILITY THAT THE SOCIAL DEMOCRATS, WHO LEAD THE PRESENT COALITION, MAY FEEL OBLIGED TO WITHDRAW FROM THE GOVERNMENT. SUCH A CABINET SHUFFLE WOULD LEAVE A MINORITY CENTER COALITION IN WHICH THE CENTER PARTY, AND KARJALAINEN, WOULD BE THE MAJOR ENTITY. INDUSTRY SOURCES, LIKE THE POLITICAL, FORESEE NO EARLY ELECTIONS.

5. THE EC SCENARIO ADUMBRATED BY KARJALAINEN COINCIDES, TO A LARGE DEGREE, WITH PREDICTIONS MADE HERE IN RECENT WEEKS. HIS STATEMENT, WHICH AT LEAST ONE INFORMED SOCIAL DEMOCRATIC SOURCE SAYS WAS NOT CLEARED WITH THE PRIME MINISTER, MUST HAVE HAD THE BLESSING OF PRESIDENT KEKKONEN. IT ALSO COMPOUNDS THE DILEMMA OF THE SOCIAL DEMOCRATS LEADERSHIP, WHICH HAS BEEN STRIVING MIGHTILY TO RECONCILE THE NATIONAL GOOD WITH INTRA PARTY DIFFERENCES ABOUT THE EC AGREEMENT. KARJALAINEN EMERGES AS SOMETHING OF A STATESMAN WHILE HIS SDP RIVAL, PRIME MINISTER SORSA, IS STILL MIRED DOWN IN HIS PROBLEMS.
KREHBIEL

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